

Alabama Department of Revenue

News Release

Feb. 12, 2002

Reminder: Estimated Tax Filing Requirements *April 15 marks first reporting for the 2002 tax year*

Montgomery, Feb. 12, 2002—April 15 marks the first reporting date of the new tax year for individual taxpayers who are required to file and pay estimated tax.

Estimated tax is the method used to pay tax on income that is not subject to withholding. Estimated tax applies to income received from self-employment, interest, dividends, alimony, rent, capital gains, prizes, gambling winnings, and awards.

Estimated tax is paid on a quarterly basis at both the state and federal levels.

“We encourage taxpayers to review monthly or quarterly interest income statements, dividend statements, income earnings from capital gains, and other ‘nonwage’ income statements to determine if these income sources have affected any reporting or filing requirements,” said State Revenue Commissioner Cynthia Underwood.

“Last year, the department implemented an automated program to assess penalties for failure to report and pay estimated income tax. Estimated tax penalties are routinely enforced at the federal level, but at the state level, we simply did not have the resources in place until 2001 to identify large numbers of taxpayers who met the filing requirements, but were not reporting and paying estimated tax,” said Underwood. “By planning now, taxpayers can avoid potential penalties in 2003.”

Who is required to file and pay estimated tax? Generally, if a single person or a married person filing a separate annual return expects to receive **at least \$1,875 in net income from sources other than wages or salaries**, estimated tax provisions apply. In the case of married individuals who file joint annual returns, estimated tax filing requirements apply if the individuals expect to receive **at least \$3,750 in net income from sources other than wages or salaries**.

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Penalties for failure to report and pay estimated tax include a delinquent penalty of 10% of any additional taxes required to be paid or \$50, whichever is greater, or a 6% underestimation penalty.

Taxpayers who pay additional tax in 2002 when they file their 2001 annual return are urged to review their anticipated 2002 tax-year obligations to determine if estimated tax-filing requirements will be met for the 2002 tax year.

Estimated tax filing and payment dates for the 2002 tax year are: April 15, 2002; June 15, 2002; September 15, 2002; and January 15, 2003. Note, however, if the tax filing deadline date falls on a Saturday or Sunday, then the deadline date is moved to the next business day. Payment amounts can be adjusted quarterly—up or down—to reflect any unexpected changes in nonwage income earnings.

For more information concerning an individual's estimated income tax filing requirements, contact the Alabama Department of Revenue, Individual and Corporate Tax Division at (334) 242-1000, or consult a tax accountant or tax preparer for advice. Taxpayers having Internet access may download estimated income tax forms and instructions from the department's Web site at www.ador.state.al.us.

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